

ORIGINAL

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BEFORE THE ARIZONA CORPORATION COMMISSION

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ARIZONA CORPORATION COMMISSION  
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Arizona Corporation Commission

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IN THE MATTER OF THE APPLICATION OF  
UNS GAS CORPORATION FOR APPROVAL  
OF ITS 2011-2012 GAS ENERGY  
EFFICIENCY IMPLEMENTATION PLAN.

Docket No. G-04204A-11-0149

#### NOTICE OF FILING RUCO'S COMMENTS

RUCO joins Staff in its concern regarding the ability for a customer of both UNS Gas and an electric utility to receive rebates from both utilities for the same, one-time, installation of an energy efficiency measure.

#### Cost Effectiveness

RUCO has been steadfast in supporting **cost-effective** energy efficiency. However, if two utilities are providing rebates for the same purchase, then the cost effectiveness of the program is changed. It is quite possible that a \$699 rebate from UNS Gas for a solar water heater is cost effective. And it may be that a \$1,350 rebate from UNS Electric for a solar water heating system is cost effective. However, cost effectiveness of the program depends on whether a rebate of \$2,049 meets the

#### Societal Cost Benefit Test.

1 The Commission has mandated natural gas and electric utilities to meet annual EE  
2 standards. To achieve this mandate, the Commission has authorized utilities to collect  
3 from customers:

- 4 (1) an EE surcharge that covers the costs of administering the EE  
5 programs (and providing rebates):  
6 (2) a decoupling mechanism to recover lost fixed costs; and  
7 (3) a performance incentive bonus for meeting or exceeding the  
8 Commission's EE mandate.

9 Thus, a single ratepayer is paying both utilities for their DSM/EE programs, recovery of  
10 their lost fixed costs through a decoupling mechanism, and performance incentive bonuses  
11 – all for the same measure. Simply put, customers are paying more than once for the  
12 same programs. RUCO believes this is an unintended consequence of the Energy  
13 Efficiency Standard.

14  
15 **Wide Discrepancies in Staff and UNS Gas Calculation of Cost Effectiveness**

16 RUCO notes the wide disparity between Staff and the Company's Societal Cost  
17 Test results. Here are a few examples.

18 Measure	Staff Benefit Cost Ratio	UNSG Benefit Cost Ratio
19		
20 Low Flow Shower Head	0.78	8.6
21 Kitchen Faucet Aerator	1.19	33.6
22 Bathroom Faucet Aerator	0.72	33.8 <sup>1</sup>

23  
24 <sup>1</sup> Staff Report at 23-24.

1 The difference in the results is vast and calls into question the validity of the test.  
2 RUCO understands that changes in the price of natural gas can change the calculation.  
3 However, the two calculations are so far off that it compromises the validity of either result.  
4 This case provides support for an independent test administrator.  
5

6 **Failure to Meet the Standard**

7 The proposed Order increases the DSM/EE budget from \$2 million to \$3.3 million.  
8 RUCO finds a \$1.3 million increase reasonable. The situation for UNS Gas is different  
9 than Southwest Gas. Southwest Gas was requesting a very large increase despite the fact  
10 that it was already experiencing significantly decreasing per customer usage that was  
11 independent of its DSM/EE programs. UNS Gas is experiencing increasing per customer  
12 usage. From 2008 to 2010, UNS Gas experienced an average growth rate of a little less  
13 than 1% per year. And customer sales rates grew at the same rate.<sup>2</sup>

14 RUCO points out that even with this increase, the Company falls far short of  
15 meeting the Gas Energy Efficiency Standards ("GEES"). Based on UNSG's most recent  
16 filed annual DSM Progress Report, actual savings as a percentage of retail sales are:

Year	Savings	Standard
2011 <sup>3</sup>	.20%	.50%.
2012	.278%	1.20%
2013	.726%	1.80% <sup>4</sup>

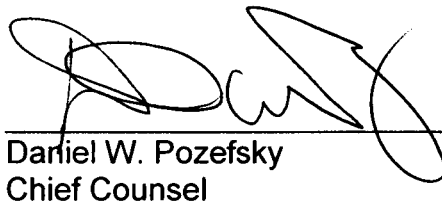
21 The gap between the actual and/or anticipated savings and the Standard is  
22 widening, not narrowing as expected. RUCO is concerned that natural gas utilities will  
23

24 <sup>2</sup> Direct Testimony of Nathan Shelley, p. 3, UNS Gas rate case, Docket No. G-???

1 only be able to meet the Standard in future years by putting in place extremely expensive  
2 and marginally cost effective programs. RUCO believes UNS Gas's proposal to modify the  
3 Standard should be given further deliberation. In the workshops formulating the EE  
4 Standard, RUCO cautioned that an EE goal should be aggressive yet realistic.

5 Finally, RUCO has an on-going concern with Staff's approval of programs/measures  
6 that do not meet the Societal Cost test. Staff justifies approval of programs that are slightly  
7 below the Societal Cost Test Ratio of 1 by claiming that the test does not monetize  
8 environmental benefits.<sup>5</sup> Staff believes that the measures should be approved when the  
9 environmental benefits are considered. While these are "very close", they are still not cost  
10 effective. Ratepayer funds deserve to pay for programs that are cost effective and that  
11 reduce consumption outside of existing downward pressures that has reduced demand for  
12 natural gas over the last few decades. RUCO maintains that the standard sets a  
13 minimum, and the Commission should not approve programs/measures that are below the  
14 minimum (even at a ratio of one, RUCO questions if the intent of EE is to generate  
15 programs/measures whose cost equals or are just slightly above the benefit).

16 RESPECTFULLY SUBMITTED this 7th day of November, 2012.

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24  
  
Daniel W. Pozefsky  
Chief Counsel

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<sup>3</sup> Based on actual sales

<sup>4</sup> Staff Report of October 19, 2012 at 6.

<sup>5</sup> See for example Staff Report at 22.

1 AN ORIGINAL AND THIRTEEN COPIES  
2 of the foregoing filed this 7th day  
3 of November, 2012 with:

4 Docket Control  
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8 COPIES of the foregoing hand delivered/  
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